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September 7, 2007

Eric A. Cioppa, Acting Superintendent
c/o Vanessa Leon
Docket No. INS-07-1000
Maine Bureau of Insurance
34 State House Station
Augusta, Maine 04333-0034

Re: Anthem BCBS 2008 HealthChoice Individual Rate Filing
Filing coversheet

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY: Christopher T. Roach
DATE: September 7, 2007
DOCUMENT TITLE: Anthem BCBS Response to First Information Requests of AG
DOCUMENT TYPE: Response to Information Requests
CONFIDENTIAL: **No**

Thank you for your assistance in this matter.

Very truly yours,

/s/ Christopher T. Roach

cc: Thomas C. Sturtevant, Esquire
Christina M. Moylan, Esquire
Judith M. Shaw, Deputy Superintendent
James Bowie, Esquire

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)	
In re: ANTHEM BLUE CROSS AND)	
BLUE SHIELD 2008 INDIVIDUAL)	APPLICANT’S RESPONSE TO FIRST
RATE FILING FOR)	INFORMATION REQUEST OF
HEALTHCHOICE, HEALTHCHOICE)	ATTORNEY GENERAL
STANDARD AND BASIC)	
PRODUCTS)	
)	
)	
)	
Docket No. INS-07-1000)	September 7, 2007
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)	

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:)	
)	
ANTHEM BLUE CROSS AND BLUE)	
SHIELD 2008 INDIVIDUAL RATE)	APPLICANTS' RESPONSE TO
FILING FOR HEALTHCHOICE,)	FIRST INFORMATION REQUEST
HEALTHCHOICE STANDARD AND)	OF ATTORNEY GENERAL
BASIC PRODUCTS)	
)	
Docket No. INS-07-1000)	September 7, 2007

Applicant Anthem Health Plans of Maine, Inc., d/b/a Anthem Blue Cross and Blue Shield ("Anthem BCBS") hereby responds to the First Information Request of the Attorney General dated September 4, 2007 as follows:

1. In the development of trend factors shown on Exhibit VI of the rate filing, Anthem performs an analysis of the trends excluding large claimants (i.e., those with claims over \$100,000).
 - a. It is our understanding that Anthem removed the claim dollars for those members with claims exceeding \$100,000. Is our understanding correct? Did Anthem remove the claims in excess of \$100,000 or all claims associated with these members?
 - b. Please provide the claims removed and the associated number of claimants by calendar year (2004, 2005, 2006 and 2007).

Response:

- a. Claimants exceeding an annual allowed amount threshold of \$100,000 for the full years of 2004, 2005 and 2006 were identified. All claim dollars, not just those exceeding \$100,000, associated with the identified claimants were excluded from the months in which the claims were incurred.
- b.

	Excluded Claims		Number of Claimants
Year	Allowed Amt	Paid Amt	Exceeding 100K
2004	13,406,048	12,516,855	77
2005	20,543,699	19,199,844	110
2006	23,092,423	21,597,397	121

As opposed to 2005 being an anomaly, this data supports our prior

contention and projection that large claims continue to be a significant, and growing, percentage of total paid claims.

2. What is the average underlying deductible amount associated with the trend analysis shown on Exhibit VI? What is the level of deductible reflected in the deductible leveraging factors inherent in the 15.2% trend factor developed on this worksheet?

Response: The average deductible associated with the trend analysis in Exhibit VI and inherent in the 15.2% trend factor is \$8278. This number was calculated using the deductibles and projected contract distribution as presented in Exhibit VII.

3. What is the leveraged trend factor used to generate the rates for the \$5,000 deductible? Please provide the calculation that demonstrates how this trend is developed in comparison to the overall trend of 15.2%.

Response: Due to the minimal data available in many of the HealthChoice options Anthem BCBS has aggregated claim data for the purposes of trend analysis and projections and has not determined or used benefit specific trend leveraging factors within this filing. This is consistent with the methodology in prior filings.

4. Please provide the development of the rates for the two adult / children rate for the \$5,000 non-mandated plan for the age band 55-64. In the rate filing, this rate is hard-coded as \$1,038.98 (Ex. III, p.12). In your response, please start with the experience shown on Exhibit I and provide the assumptions and calculations employed in the development of this rate.

Response: As reflected in the filing, Exhibit I represents the determination of total required premium in 2008 given all of the assumptions as presented including projected claim trend, observed and projected contract months, the projected claim impact of anticipated changes in enrollment distribution by benefit, credited projected pharmacy rebates, pharmacy rebates for observed periods, projected claim changes due to anticipated changes in the pharmacy benefits, projected claim changes due to the expansion of the dependent age, projected administrative expenses,

projected commissions, pre-tax targeted profit and risk charge, premium tax, investment income, and the savings offset payment.

The \$5,000 deductible option is used as the “basis” for determining all other rates. First, as noted above, the total revenue requirements are determined in Exhibit I. Second, rate differences between options are presented in Exhibit IV. Consideration is given to allowable rate differences according to provisions in Rule 940, exceptions to Rule 940 granted by the Superintendent of Insurance, and reasonable rate differences given benefits and observed loss ratios. Third, the basis rate for the \$5,000 deductible is set in order to achieve the required revenue as determined in Exhibit I.

5. Please provide the detailed support used to generate the revised contract type factors as applied to the premium classes requested in this rate filing. Please explain why these factors are changing.

Response: The contract type factors for family contracts with both one and two adults covered in the contract are changing for two reasons. First, an analysis of claim experience per contract type showed that the claim experience on the family contracts is much better than that on the one adult and two adult contract types. This data is presented below and represents the twelve month period ending April 30, 2007. Adjustments to the factors were made in order to partially reflect this experience. Given the wide disparity in the claim experience it would be difficult to reflect all of the difference in the contract factors.

<u>contract type</u>	<u>claim pcpm</u>	<u>ratio to one adult</u>	<u>current rating factor</u>
one adult	\$305	1.00	1.00
two adults	\$490	1.61	2.00
two adults and child(ren)	\$335	1.10	2.65
one adult and child(ren)	\$298	0.98	1.65

Second, changes were made in the factors to reflect the anticipated additional claims due to the expansion of the dependent age up to the twenty-fifth birthday. The assumptions made in order to determine these changes are presented in Exhibit XIII in the filing.

6. The current rates for age band 65+ are the same as the current rates for age band 55-64 and appear to use the age band factor of 1.20. In the proposed rates, it appears the age 65+ rates

are developed using the 1.50 factor. Please provide support for this factor and explain why Anthem is making this change.

Response: Current rates for those age 65 and over are the same as rates for those age 55 to 64. It is the intention of Anthem BCBS to implement the proposed higher rates on January 1, 2008 for those who turned age 65 in 2007 and are subject to the higher rate. Exhibit III actually overstates the revenue expected from those age 65 and over as those already in this age category will not receive the higher rate. Therefore, the rates as proposed in this filing and used to calculate total revenue in Exhibit III will generate revenue lower than that determined in Exhibit I.

7. Exhibit III shows the development of the anticipated rate increase from the rates requested in this filing. Do the current rates shown on this exhibit reflect the rates effective July 2007, which include the 1.3% increase for the SOP? If the rates do not reflect the most recent rate adjustment of 1.3%, please provide a revised Exhibit III that takes these rates with the 1.3% increase into account.

Response: The current rates shown on Exhibit III reflect the rates effective July 2007 and include the increase for SOP.

8. The rate development for the \$150 deductible with the \$10,000 annual maximum reflects the average proposed increase multiplied by the rates of the \$300 deductible plan. Please verify this is the methodology intended for the development of the rates for this benefit plan. If this is the intended method, please explain why the factor for this benefit plan is not developed on its own to reflect the exact benefits.

Response: The rate development for the \$150 deductible with \$10,000 annual maximum reflects the current ratio between this option and the \$150 deductible with no annual maximum and should be multiplied by the proposed rate for the \$150 deductible with no annual maximum. The proposed rate is multiplied by the \$300 deductible option in error. This creates a rate slightly lower than intended. Anthem BCBS will correct this error in revised exhibits to be submitted in advance of the hearing in this matter.

9. Please explain why the expected administrative expenses are 7.6% lower than the level incorporated in the current rates.

Response: The administrative expense charge approved by the Bureau in last year's HealthChoice proceeding and embedded in current rates reflected Anthem BCBS's best estimate of expected expenses for the HealthChoice product for 2007. When determining the actual current administrative expenses, Anthem BCBS followed the same methodology as previously approved by the Bureau. The Company continues to use its best efforts to administer its business as efficiently as possible. In this case, rather than the modest increase over 2006 actual expenses that was expected for 2007, there was a modest decrease, the combination of which is reflected in the 7.6% reduction reflected in the present filing.

10. Please explain why Anthem is anticipating the administrative expenses for the individual product in calendar year 2008 to be the same as the expected level in calendar year 2007.

Response: It remains the case that it is reasonable to project administrative costs to the rating period and, in the last proceeding, it was reasonable to assume that administrative costs would increase by a modest inflationary factor. Although there may be cost increases during 2008 that are unknown at this time, given the decrease in administrative expenses year over year, Anthem BCBS has determined not to include an inflation factor to determine the projected administrative expenses for 2008. In this way, the filing holds premiums at a level as low as possible to cover all associated costs. This assumed level of administrative expenses may not be achieved, but Anthem BCBS believes this assumption is reasonable under the current circumstances.

11. Please provide the statutory statement for calendar year 2006.

Response: A copy is included with this filing.

12. Please provide the quarterly statements for first and second quarters of calendar year 2007.

Response: A copy is included with this filing.

13. Please provide the detail behind the calculation of the expected loss ratio for calendar year 2007 shown in Exhibit IX.

Response: Total revenue for 2007 is determined by adding actual revenue for the months January through June to a projection for the months July through December. The revenue for projected months is determined by using the revenue per member per month for January through June, adjusting upward to reflect the impact of the savings offset payment on premium as of July 1, and then multiplying by projected enrollment for the period. The total claim amount for 2007 is determined by applying an annual trend factor along with an anticipated claim adjustment for anticipated enrollment shifts to the claim per member per month amount observed in 2006. The claim per member per month amount is then multiplied by projected enrollment for the period. The loss ratio is then calculated as 2007 claims and savings offset payment divided by 2007 revenue.

14. Why are the projected loss ratios shown in Exhibit IX for calendar years 2007 and 2008 different from the projected loss ratios for calendar years 2007 and 2008 shown in Exhibit XII?

Response: The loss ratios that appear on Exhibit IX include projected SOP payments and the loss ratios that appear on Exhibit XII do not include projected SOP payments.

15. Using the loss ratios shown on Exhibit IX, if the target loss ratio for calendar year 2008 is virtually the same as the loss ratio generated from the experience in 2007, please explain why the expected increase of 18.6% is about 3% points higher than the overall trend expected.

Response: The difference is the result of anticipated changes in 2008 such as newly mandated benefits and the distribution of enrollment across the various benefit options. The changes in the enrollment distribution are the primary contributor to the difference between the annual claim trend and the average rate increase included in the filing.

16. On Exhibit IX of the confidential filing there is a black box. Has there been any data that has been redacted?

Response: There is no “black box” on Exhibit IX of the confidential filing. The black box you appear to be referencing is in Exhibit IX of the non-confidential filing. The data that has been redacted in the non-confidential version appears in the confidential version of that exhibit.

DATED: September 7, 2007

/s/ Christopher T. Roach
Christopher T. Roach, Esq.

PIERCE ATWOOD LLP
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Attorney for Applicant

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on September 7, 2007, a copy of the Non-Confidential Version of Applicant's Response to the First Information Request of the Attorney General was served in the manner indicated on each of the persons listed below:

Thomas C. Sturtevant, Esq. (via electronic mail and U.S. Mail)
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DATED September 7, 2007

/s/ Christopher T. Roach
Christopher T. Roach, Esq.

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